

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 2000-808

February 20, 2001

MAINE PUBLIC UTILITIES COMMISSION  
Standard Offer Bidding Process

ORDER DIRECTING BANGOR  
HYDRO ELECTRIC COMPANY  
TO CONTRACT FOR  
WHOLESALE POWER  
SUPPLY AND PROVIDE  
STANDARD OFFER SERVICE  
TO THE LARGE NON-  
RESIDENTIAL CLASS

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

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**I. SUMMARY**

In this Order, we direct Bangor Hydro-Electric Company (BHE), pursuant to Chapter 301, section 8(B)(2) of our rules, to enter into a wholesale power supply contract with a supplier that bid in BHE's recently concluded solicitation process. The wholesale power contract will provide supply for BHE to serve as the standard offer provider for the large non-residential standard offer class in BHE's service territory.

**II. BACKGROUND**

Section 3212 of Title 35-A and Chapter 301 of our Rules require that the Commission conduct a bid process to select standard offer providers for electricity customers who do not otherwise obtain service from the competitive market. To meet this responsibility in the BHE service territory, on October 2, 2000, the Commission issued a Request for Bids (RFB).

On December 22, 2000, the Commission terminated the RFB process with respect to all three standard offer classes within BHE's service territory. We concluded that, because of the timing of our RFB, the bid price proposals we received were adversely affected by high price levels and volatility in the wholesale electricity markets, which in turn appeared to be caused by high prices and even greater volatility in natural gas markets and the December 13 FERC decision on ICAP deficiency charges. December 21 was the last day pursuant to our RFB for potential standard offer providers to submit bid price proposals. Because the conditions in the natural gas market as well as the FERC decision could be transient matters, we decided to terminate the RFB process without accepting any of the bid proposals.

In our December 22 Order, we decided to pursue two alternative processes simultaneously in order to enhance the opportunities for establishing reasonably-priced standard offer service for BHE customers beginning on March 1, 2001. The Commission continued to entertain price proposals from bidders who were qualified in our RFB process. We also directed BHE to explore wholesale power supply

arrangements that would permit BHE to serve as standard offer provider beginning on March 1, 2001.

Subsequently, representatives of BHE sought direction from the Commission regarding the manner in which the Company should solicit bids and make arrangements for standard offer service. During the week of January 22, 2001, BHE representatives met several times with the Commission, its staff and the Public Advocate. At the meetings, BHE described its preliminary discussions with bidders and discussed various options for BHE providing standard offer service. As a result of these meetings, BHE developed a strategy for soliciting bids from the wholesale market.

By Orders of February 2 and February 15 in this docket, we designated BHE to be provider of standard offer service for the residential/small non-residential and medium non-residential customers in its service territory beginning March 1, 2001, and directed BHE to enter into two wholesale power supply contracts in order to serve that standard offer load. By the February 15 Order, we also set the standard offer price for the small and medium classes for the year beginning March 1, 2001.

BHE has also sought to procure power supply necessary to serve the anticipated standard offer load for the large customer class. After consultation with the Commission, BHE representatives contacted several suppliers which might have an interest in bidding to provide wholesale energy supply for the large customer class. BHE sought formal bids from these suppliers for the bulk, commodity electric power, with and without ICAP, and with and without ancillary products, for BHE's large standard offer customer class for a twelve-month period beginning March 1, 2000. The formal bids were due on February 20, 2001.

In a filing made today, BHE submitted copies of the bids received to serve the large standard offer customer class.<sup>1</sup> The winning bidder is the lowest bidder for energy load following for 100% of the energy requirement for the large standard offer class in BHE's territory for a twelve-month period beginning March 1, 2000. The terms of the bid allow BHE to purchase up to 60 MW of energy in each hour. Last year, the peak standard offer load for the large non-residential customers was approximately 55 MW. The winning bidder remains the lowest bidder both with and without ICAP and with and without ancillary products for the large standard offer customer class.<sup>2</sup>

In its filing, BHE stated that it was negotiating the final terms of an enabling agreement with the winning bidder and expected to be able to finalize the contract later this afternoon. BHE further stated that, if the Commission directs BHE to accept the winning bid, that the Company will endeavor to execute the contract with the winning bidder by the close of business today, February 20.

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<sup>1</sup> The actual bids are considered confidential business information and are subject to a protective order.

<sup>2</sup> The winning bid does not include energy uplift.

**III. DECISION**

We have reviewed the bids submitted today as part of the BHE filing. We agree with BHE that the bid that it described as the winning bid (Option No. 5) in BHE's filing of today, should be accepted. We also direct BHE to accept the version of the winning bid, described as Option 5-A, which includes both ICAP and the ancillary electric products, but not energy uplift, necessary to serve the large standard offer customer class.

Because of the price risks associated with the 60 MW cap proposed by the winning bidder, we directed BHE to explore an increase to the cap to 65 MW with the bidder. BHE responded that the winning bidder accepted the increased cap of 65 MW at the price adjustment suggested by the Commission. We prefer the 65 MW cap to the 60 MW cap because the power supply arrangement then will be virtually identical to an all-requirements standard offer service obligation.

Accordingly, we

**O R D E R**

1. That Bangor Hydro-Electric Company will be the provider of standard offer service for the large non-residential standard offer customers in its service territory beginning March 1, 2001;
2. That Bangor Hydro-Electric Company accept the winning bid as designated in its February 20 filing (Option 5A) and execute a power supply contract with the winning bidder in accordance with the price terms described in the winning bid, including ICAP and the ancillary electric products as described in the winning bid and modified by our instructions to increase the energy cap to 65 MW;
3. That the Commission finds that Bangor Hydro-Electric Company has acted prudently in soliciting the bids to serve the large non-residential standard offer customer class, attached to its February 20 filing.

Dated at Augusta, Maine, this 20th day of February, 2001.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:      Welch  
   Nugent  
   Diamond

## NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.